

Message Text

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ACTION NEA-16

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 7766

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FOR : TREASURY ASSISTANT SECRETARY PARSKY FROM CHARGE'

E.O.: 11652: N/A

TAGS: EGEN, SA, US

SUBJ: US-SAUDI COOPERATION ON FINANCE

REF : STATE 141982

1. AMBASSADOR AKINS AND I DISCUSSED REFTTEL BEFORE HIS DEPARTURE AND HE SUGGESTED THAT THE DIRECT CONVERSATIONS BETWEEN TREASURY SECRETARY SIMON AND GOVERNOR ALI AND VICE MINISTER ABA AL KHAIL BEFORE AND DURING PRINCE FAHD'S VISIT SHOULD HAVE GIVEN SOME DEFINITION AS TO WHAT WAS MEANT BY COOPERATION IN THE FIELD OF FINANCE. WERE MEMCONS PREPARED ON THESE CONVERSATIONS? IT WAS AGREED DURING THE FAHD VISIT THAT NO FORMAL WORKING GROUPS WOULD BE ESTABLISHED BUT THAT INSTEAD A SPECIAL DIRECT RELATIONSHIP BETWEEN TREASURY AND SAMA WOULD BE CREATED. PERHAPS A MEMBER OF FEDERAL RESERVE COULD BE INCLUDED ON VISIT.

2. JOHN GUNTER AND ZAKI SA'AD OF THE IMF ARE VERY KNOWLEDGEABLE SOURCES ABOUT THE STRUCTURE OF THE SAUDI PUBLIC AND PRIVATE FINANCIAL SYSTEM. IT IS CHANGING, BUT IN THE HANDLING OF ITS INEVITABLE SURPLUSES THERE

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IS LITTLE MODIFICATION SO FAR. A SMALL GROUP OF SAUDI

OFFICIALS IN SAMA, HEADED BY ANWAR ALI, STILL MAKE ALL OF THE DECISIONS. THERE IS AN INFORMAL AND CONFIDENTIAL ADVISORY RELATIONSHIP WITH MORGAN GUARANTY CHAIRMAN EMERITUS JOHN MEYER, TOGETHER WITH THE UNION BANK OF SWITZERLAND CHAIRMAN, PLUS AN UNKNOWN UK PRIVATE BANKER.

3. I WILL BE SEEING ABA AL KHAIL REGARDING THE WORKING GROUPS WITHIN THE NEXT FEW DAYS. IT WILL BE RELATIVELY EASY TO LEAD THE CONVERSATION AROUND TO A DISCUSSION OF HIS CURRENT, POST WASHINGTON VISIT VIEW OF THE US-SAG COOPERATIVE RELATIONSHIP IN THE FIELD OF FINANCE.

4. SUGGEST THAT WHAT SAG MAY LISTEN TO MOST CAREFULLY IS DETAILED, FRANK AND HIGHLY TRUSTWORTHY DESCRIPTION OF WHAT EFFECTS THEIR SHORT-TERM INVESTMENT POLICY APPEARS TO BE HAVING ON WORLD MARKETS.
BIRD

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